

GILLESPIE FIELD DEVELOPMENT COUNCIL
March 19, 2013

AGENDA ITEM #10

Proposed Amendments to Three Cuyamaca West 2 Industrial Leases
to Implement Negotiated Rent Adjustments

The County developed industrial lots and associated infrastructure at Cuyamaca West Industrial Park, Unit 2 ("Cuyamaca West 2"), also known as the Gillespie Field Business Park, in the late 1990's. Like the adjacent Cuyamaca West 1 and Gillespie Field Industrial Park, these leases of airport-owned land that was released by the FAA for non-aeronautical use, generate revenue to support the County Airports System while providing economic benefits and jobs to the surrounding community. The FAA approval for non-aeronautical use is only possible for land that is not suitable for aeronautical use, for example, in this case, because of the topography and in cases when the land is not needed to meet aviation forecasts.

In a Development Agreement approved by the Board of Supervisors on May 20, 1997, the parcels were separated into groups, with the developer leasing each group according to an agreed upon schedule. Leases for Lot 12, Lot 13, and Lot 14 represent the second group of the Cuyamaca West 2 leases. These leases were executed on July 23, 1998. All three leaseholds have been improved with concrete tilt-up buildings that accommodate light industrial and office uses.

Lot 12 (County Contract No. 75097R)

Pacific Gillespie Partners Lot 14, LLC currently leases Lot 12 (County Contract No. 75097R). The 55-year lease commenced on July 23, 1998 and will terminate on July 22, 2053. Current tenants include ThyssenKrup Elevator Corporation and HAVS, Inc.

Lot 13 (County Contract No. 75096R)

Pacific Gillespie Partners Lot 13, LLC leases Lot 13 (County Contract No. 75096R). The 55-year lease commenced on July 23, 1998 and will terminate on July 22, 2053. The lease has been previously amended to expand lender protections. The entire building is currently subleased by Cox Communications.

Lot 14 (County Contract No. 118904)

Gillespie GH, LLC leases Lot 14 (County Contract No. 118904). The 55-year lease commenced on July 23, 1998 and will terminate on July 22, 2053. The lease has been previously amended to expand lender protections. Current tenants include BMS Holdings, GTM Wholesale, and Professionals Choice.

As is standard for County leases, Cuyamaca West 2 leases, such as these, provide for periodic rental adjustments. In addition to five-year cost of living adjustments, the rental rate is renegotiated every fifteen years. The proposed amendments are very similar to the amendments for four of the Lot 15 leases, which your Council recommended for approval on July 17, 2012, and which, subsequently, were approved by the Board of

Supervisors on September 12, 2012. More of such amendments will be processed over the next couple of years.

The current renegotiated rental rate adjustment for Lots 12, 13 and 14 is due on July 23, 2013. County and the lessees agreed that the adjusted rental rate should be increased by 20% over the current rent, which is the maximum allowed under these leases for this adjustment. Except for minor administrative changes, like address updates, all other terms in the leases will remain unchanged.

The proposed amendments will adjust the rent as follows:

Lot	Lessee	Contract No.	Current* Rent	Proposed Rent
Lot 12	Pacific Gillespie Partners Lot 14, LLC	75097R	\$2,173	\$2,609
Lot 13	Pacific Gillespie Partners Lot 13, LLC	75096R	\$3,313	\$3,975
Lot 14	Gillespie GH, LLC	118904	\$14,728	\$17,673

* Rounded to nearest dollar

RECOMMENDED MOTION

“Gillespie Field Development Council recommends the Board of Supervisors approve the First Amendment to Industrial Ground Lease Agreement between the County of San Diego and Pacific Gillespie Partners Lot 14, LLC (County Contract No. 75097R), the Second Amendment to Industrial Ground Lease Agreement between the County of San Diego and Pacific Gillespie Partners Lot 13, LLC (County Contract No. 75096R), and the Second Amendment to Industrial Ground Lease Agreement between the County of San Diego and Gillespie GH, LLC (County Contract No. 118904), as recommended by staff.”